

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 ERDA-05 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 FPC-01 H-01 INR-07 INT-05
L-03 NSAE-00 OMB-01 PM-05 OES-07 SP-02 SS-15
STR-05 TRSE-00 ACDA-12 FEA-01 FRB-03 XMB-02
OPIC-03 LAB-04 SIL-01 JUSE-00 NSCE-00 SSO-00
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O 211030Z OCT 77
FM AMEMBASSY KUWAIT
TO SECSTATE WASHDC IMMEDIATE 9286
AMEMBASSY CAIRO IMMEDIATE

C O N F I D E N T I A L KUWAIT 5956

FOR DEP ASST SEC SOBER (IN BLUMENTHAL PARTY) FROM AMBASSADOR

E.O. 11652: GDS
TAGS: ENRG, EINV, US, KU
SUBJECT: KUWAIT NATIONALIZATION OF AMINOIL

REF: (A) STATE 252839, (B) KUWAIT 5955.

1. I SHARE DEPARTMENT'S INITIAL NEGATIVE REACTION
TO STATEMENT PROPOSED BY AMINOIL WHICH SHOULD APPLY ALSO
TO SUGGESTED LETTER TO OIL MINISTER. (REF. A).

2. PRESS HERE HAS REPORTED THAT INVENTORY COMMITTEE
HAS JUST COMPLETED ITS REVIEW OF AMINOIL ASSETS AND
ITS REPORT HAS BEEN REFERRED TO COMPENSATION COMMITTEE
FOR CONSIDERATION IN DETERMINING THE COMPENSATION
TO BE OFFERED BY GOK TO AMINOIL. IT WOULD INDEED
BE PREMATURE TO MAKE SUCH A STERN AND CONDEMNATORY
STATEMENT BEFORE WE KNOW WHAT THE GOK OFFER WILL
BE. THIS ACTION WOULD CERTAINLY HAVE AN UNFAVORABLE
IMPACT ON US-KUWAITI RELATIONS AS WELL AS ON THE
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THE COMPENSATION PROSPECTS FOR AMINOIL.
MOREOVER, THE STATEMENT'S REFERENCE TO THE GOK'S
UNILATERAL BREACH OF CONCESSION CONTRACT DOES NOT
TAKE INTO ACCOUNT AMINOIL'S OWN SUGGESTION OF NATIONALI-
ZATION, MADE WHEN NEGOTIATIONS WITH GOK HAD REACHED
AN IMPASSE. WHAT IS TO BE CRITICIZED IS THE ABRUPT
AND TACTLESS MANNER IN WHICH THE TAKEOVER WAS ENGINEERED

OF A COMPANY WITH WHICH THE GOK HAS REPEATEDLY
PROFESSED TO HAVE HAD THE FRIENDLIEST OF RELATIONS.

3. ON THE OTHER HAND, IN MY MESSAGE CONCERNING THE
NEWLY ARRANGED CALL BY SECRETARY BLUMENTHAL ON THE
FOREIGN MINISTER (REF. B), I HAVE SUGGESTED THAT THE
SECRETARY REFER TO THE AMINOIL ISSUE IN GENERAL TERMS
AND UNDERLINE USG INTEREST IN SEEING THAT AMINOIL
RECEIVE FAIR AND JUST COMPENSATION (PARA 2E). I
STRONGLY URGE HIM TO DO THIS, SINCE THE TIMING (DURING
THE COMPENSATION COMMITTEE'S DELIBERATIONS) WILL BE
MOST PROPITIOUS. IN FACT, I BELIEVE A COMMENT ALONG
THE LINES OF THE LAST THREE PARAGRAPHS IN THE STATEMENT
CONTAINED IN PARA 2, REF A WOULD BE USEFUL. THIS LINE
COULD ALSO BE TAKEN DURING DISCUSSIONS WITH THE FINANCE
MINISTER.

4. WHILE I MADE THESE POINTS TO THE FOREIGN AND
OIL MINISTERS EVEN PRIOR TO THE NATIONALIZATION ACT
AND AGAIN TO THE OIL MINISTER AND MFA UNDERSECRETARY
AFTER THE TAKEOVER, MY PRESENTATION OF THE USG POSITION
IN THIS REGARD WOULD BE GREATLY REINFORCED BY SIMILAR
REMARKS ON THE PART OF THE SECRETARY OF THE
TREASURY. ALTHOUGH THE GOK MINISTERS ASSURED ME FAIR
AND JUST COMPENSATION WOULD BE PROVIDED AMINOIL,
I AM CONVINCED THAT IT IS THE GOK INTENTION TO
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CALCULATE THE AMOUNT OF COMPENSATION ON THE BASIS OF
UNILATERAL CLAIMS IT ADVANCED DURING THE NEGOTIATIONS
FOR A RETROACTIVE PAYMENT OF A GREATER SHARE OF
AMINOIL'S PROFITS THAN WAS PROVIDED UNDER THEIR
CONCESSION AGREEMENT. THUS, THEIR CALCULATIONS
MAY SHOW THAT AMINOIL OWES THE GOK RATHER THAN VICE-VERSA*
FURTHERMORE, WITH RESPECT TO ASSET VALUATION, THE OIL
MINISTER HAS TOLD ME THAT, IN VIEW OF GULF AND BP
ACCEPTANCE OF NET BOOK VALUE IN THE GOK TAKEOVER OF
THE KUWAIT OIL COMPANY, HE WOULD LOOK FOOLISH IF
HE OFFERED MORE TO A SMALL FIRM LIKE AMINOIL. THE ONLY
WAY I CAN CONCEIVE OF A BETTER THAN NET BOOK VALUE OFFER
BEING MADE FOR AMINOIL'S ASSETS WOULD BE IN THE
CONTEXT I DESCRIBED ABOVE IN WHICH AMINOIL WOULD OWE
THE GOK.

5. I BELIEVE THE DEPARTMENT SHOULD TELL SUNDERLAND
THAT AMINOIL'S PROPOSAL IS PREMATURE. IT WOULD BE
PROPER FOR THE USG TO MAKE A DEMARCHE ALONG LINES
OF THE PROPOSED STATEMENT, REDRAFTED IN MORE APPROPRIATE
TERMS, ONCE THE GOK HAS DEMONSTRATED ITS UNWILLINGNESS
TO MAKE AN ADEQUATE COMPENSATION OFFER. IN MY VIEW,

THE MOST USEFUL STEP AT THIS TIME WOULD BE TO HAVE
SECRETARY BLUMENTHAL WEIGH IN WITH REMARKS ALONG THE
LINES SUGGESTED ABOVE MADE IN LOW KEY.
MAESTRONE

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